

UNITED  
SECURITIES AND EXCHANGE  
Washington



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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 07/01/10 AND ENDING 06/30/11  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

**NAME OF BROKER-DEALER:**

**FIRST WESTERN SECURITIES, INC.**  
**ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)**

**OFFICIAL USE ONLY**

**FIRM I.D. NO.**

**669 AIRPORT FREEWAY, SUITE 409**

**FORT WORTH**

(No. and Street)

**TEXAS**

**76182-0159**

(City)

(State)

(Zip Code)

**NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT**

**RANDY FERGUSON**

**(817) 553-1492**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

**INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\***

**SANFORD, BAUMEISTER & FRAZIER, PLLC**

(Name - if individual, state last, first, middle name)

**512 MAIN STREET, SUITE 1500**

**FORT WORTH**

**TEXAS**

**76102**

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

☒ **Certified Public Accountant**

☐ **Public Accountant**

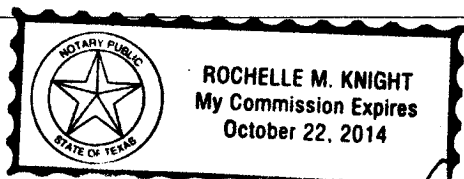
☐ **Accountant not resident in United States or any of its possessions.**

**FOR OFFICIAL USE ONLY**

*\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

## OATH OR AFFIRMATION

I, RANDY FERGUSON, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FIRST WESTERN SECURITIES, INC., as of JUNE 30, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Rochelle M. Knight  
Notary Public

[Signature]  
Signature  
President  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition. (SEE STATEMENT OF CASH FLOWS)
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. (NOT APPLICABLE)
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3. (NOT APPLICABLE)
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3. (NOT APPLICABLE)
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. (NOT APPLICABLE)
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

(AUDITOR'S REPORT ON INTERNAL CONTROLL STRUCTURE REQUIRED BY SEC RULE 1

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

A-5)

**FIRST WESTERN SECURITIES, INC.**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**FIRST WESTERN SECURITIES, INC.**  
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**JUNE 30, 2010**

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August 23, 2011

Board of Director and Shareholders  
First Western Securities, Inc.  
Fort Worth, Texas

**Independent Auditors' Report**

We have audited the accompanying statement of financial condition of First Western Securities, Inc. as of June 30, 2011, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Western Securities, Inc. as of June 30, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sanford, Baumeister & Frazier, PLLC*  
**SANFORD, BAUMEISTER & FRAZIER, PLLC**



**FIRST WESTERN SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**JUNE 30, 2011**

**ASSETS**

Cash in bank	\$ 200,067
Money market mutual fund	3,504
Commissions receivable	303,917
Clearing deposits	70,468
Related party receivable	10,039
Deferred income taxes	666
Furniture and equipment, at cost, less accumulated depreciation of \$17,357	3,482

<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 592,143</u></b>
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**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Commissions and wages payable	\$ 67,646
Commissions payable to independent agents	280,449
Accrued accounts payable	43,930
Federal income tax payable	11,349

Total Liabilities	\$ 403,374
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**STOCKHOLDERS' EQUITY**

Common stock, \$.01 par value, 1,200,000 shares authorized, 889,676 shares issued and outstanding	8,897
Additional paid-in capital	66,478
Retained earnings	113,394

Total Stockholders' Equity	188,769
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<b><u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>	<b><u>\$ 592,143</u></b>
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The accompanying notes to financial statements  
are an integral part of these statements.

**FIRST WESTERN SECURITIES, INC.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED JUNE 30, 2011**

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**REVENUES**

Commissions	\$ 4,184,078
Interest income	<u>104,699</u>

Total Revenues \$ 4,288,777

**EXPENSES**

Employee compensation	916,776
Independent agent commissions	2,709,319
Clearing charges	90,410
Other operating expenses	<u>366,508</u>

Total Expenses 4,083,013

**INCOME BEFORE FEDERAL INCOME TAX** 205,764

**FEDERAL INCOME TAXES** 66,126

**NET INCOME** \$ 139,638

The accompanying notes to financial statements  
are an integral part of these statements.

**FIRST WESTERN SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
<b><u>BALANCE</u></b> - June 30, 2010	\$ 8,897	\$ 66,478	\$ 73,756	\$ 149,131
Stockholder distributions			(100,000)	(100,000)
Net income			139,638	139,638
<b><u>BALANCE</u></b> - June 30, 2011	<u>\$ 8,897</u>	<u>\$ 66,478</u>	<u>\$ 113,394</u>	<u>\$ 188,769</u>

The accompanying notes to financial statements  
are an integral part of these statements.



**FIRST WESTERN SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 139,638
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	2,847
Deferred taxes	(229)
(Increase) decrease in operating assets:	
Commissions receivable	(1,118)
Related party receivable	3,319
Clearing deposits	(1,331)
Increase (decrease) in operating liabilities:	
Commissions and wages payable	21,934
Accrued accounts payable	(5,762)
Commissions payable to independent agents	46,313
Federal income tax payable	(6,801)

Net Cash Provided by Operating Activities \$ 198,810

**CASH FLOWS FROM INVESTING ACTIVITIES**

-

**CASH FLOWS FROM FINANCING ACTIVITIES**

Stockholder distributions	(100,000)
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Net Cash Used in Financing Activities (100,000)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

98,810

**CASH AND CASH EQUIVALENTS - Beginning of Year**

101,257

**CASH AND CASH EQUIVALENTS - End of Year**

\$ 200,067

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Income tax paid	<u>\$ 73,156</u>
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The accompanying notes to financial statements  
are an integral part of these statements.

**FIRST WESTERN SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 1 - ORGANIZATION AND OPERATIONS**

First Western Securities, Inc. (the Company) was incorporated in Texas on March 27, 1987 and commenced business as a registered broker/dealer on July 7, 1987. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company operates under SEC Rule 15c3-3(k)(2)(ii); such that, it does not have any possession or control of customer funds or securities. The predominance of its customers lives in Texas and Oklahoma.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Company conform with U.S. generally accepted accounting principles. Policies and practices that materially affect the determination of financial position, changes in financial position, and results of operations are summarized as follows:

**CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Company considers any short-term investment convertible to cash within three months or less with little or no change in the principal amount to be a cash equivalent. Cash and cash equivalents at June 30, 2011 consist of cash in bank.

During the year ended June 30, 2011, the Company's deposits at a bank occasionally exceeded Federal Deposit Insurance. Management believes the risk of incurring material losses related to this credit risk is remote.

**COMMISSIONS RECEIVABLE**

Commission receivable is reported at the amount management expects to collect on balances outstanding at year-end. Substantially all of the year-end receivable balance is from entities that have a history of paying promptly. No allowance was deemed necessary as of June 30, 2011. The Company utilizes the allowance method for recognition of bad debts. For the year ended June 30, 2011, the Company recognized no bad debt expense.

**FURNITURE AND EQUIPMENT**

All furniture and equipment is recorded at cost and depreciated over their estimated useful lives, using the straight-line method. The estimated useful lives on furniture and equipment range from three to five years. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss included in the statement of income. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to income as incurred. Depreciation expense for the year ended June 30, 2011 amounted to \$2,847.

**RECOGNITION OF COMMISSION REVENUE AND EXPENSE**

The Company records commission income as earned, on the trade date basis. Commission expense is recognized at the same time along with any related clearing expenses.

**CONCENTRATION OF CREDIT RISK**

The Company primarily utilizes one brokerage house to execute all of its customers' stock and bond transactions. The brokerage house remits the Company's commission on these trades monthly. Therefore, a portion of the Company's commission receivable balance could be at risk at any point in time.

**ADVERTISING EXPENSE**

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2011 was \$150.

**FIRST WESTERN SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

**INCOME TAXES**

The Company accounts for income taxes in accordance with generally accepted accounting principles which require the use of the "liability method" of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Current income taxes are based on the year's income taxable for income tax reporting purposes.

The Company recognizes and discloses its tax positions in accordance with Accounting Standards Codification §740, which requires the disclosure of uncertain tax positions and related penalties and interest recognized in the financial statements. The Company has not maintained any tax positions which it believes would not be reasonably sustainable upon examination by a taxing authority. Accordingly, no related penalties or interest were recognized in the financial statements. Federal tax returns for the years ending June 30, 2009, 2010, and 2011 and Texas Franchise tax returns for the years ending June 30, 2008, 2009, 2010, and 2011 are still subject to examination.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, receivables, accounts payable and accrued expenses. The recorded values of these financial instruments approximate their fair values based on their short-term nature.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 - CLEARING DEPOSITS**

As of June 30, 2011, the Company has a combined balance of \$70,468 on deposit with First Clearing, LLC and Southwest Securities, Inc. (its previous clearing broker). The Company was required to maintain a clearing deposit balance with these clearing brokers for the execution of investment trades.

**NOTE 4 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission's "Uniform Net Capital" Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2011, the Company had net capital of \$172,188 that was \$122,188 in excess of its required net capital of \$50,000. Net capital and the related net capital ratio may fluctuate on a daily basis. The Company's ratio of aggregate indebtedness to net capital was 2.34 to 1.

**NOTE 5 - POSSESSION OR CONTROL REQUIREMENTS**

The Company does not have any possession or control of customer funds or securities. There was no material inadequacies in the procedures followed in adhering to the exemptive provisions of (SEC) Rule 15c3-3(k)(2)(ii).

**FIRST WESTERN SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 6 - EMPLOYEE BENEFIT PLAN**

The Company adopted a 401(k) Profit Sharing Plan during the year ended June 30, 1993, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting length of service requirements. The Company does not have a matching contribution obligation. During the year ended June 30, 2011, the Company elected to make a \$28,000 discretionary contribution.

**NOTE 7 - FEDERAL INCOME TAXES**

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Deferred income taxes are provided for differences between financial statement and income tax reporting. This primarily results from the use of the accelerated cost recovery system and the modified accelerated cost recovery system for tax depreciation.

The deferred federal income tax asset of \$666 as of June 30, 2011 relates to accumulated tax depreciation being less than accumulated book depreciation by \$1,959.

The federal income tax payable (receivable) at June 30, 2011 is calculated as follows:

<b><u>Federal Income Tax Payable (Receivable)</u></b>	
Income per financial statements	\$ 205,764
Timing differences:	
Depreciation	673
Permanent differences:	
Meals and entertainment	<u>6,637</u>
Income for federal income tax purposes	213,074
Effective federal income tax rate	<u>31.14%</u>
Current federal income tax expense per tax return	66,349
Less: Federal income tax deposits made	<u>(55,000)</u>
 Federal Income Tax Payable (Receivable)	 <u><u>\$ 11,349</u></u>

The components of federal income tax expense for the year ended June 30, 2011 are as follows:

Current	\$ 66,349
Other	6
Deferred	<u>(229)</u>
 Federal Income Tax Expense	 <u><u>\$ 66,126</u></u>

The Company has a "brother/sister controlled group" relationship with First Western Leasing, Inc. since five or fewer persons own at least 80% of the voting stock of each company.

**FIRST WESTERN SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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**NOTE 8 - OPERATING LEASE**

The Company was committed to leasing its present office location through August 31, 2013. The lease payments are guaranteed by one of the Company's shareholders. Lease expense for the year ended June 30, 2011 was \$30,023 and is included in other operating expenses on the statement of income.

The future minimum rental payments based upon the base amounts under the non-cancelable operating lease are as follows:

Year Ending June 30,	Amount
2012	\$ 30,479
2013	<u>5,080</u>
Total	<u>\$ 35,559</u>

**NOTE 9 - SUBSEQUENT EVENTS**

The Company has evaluated and disclosed subsequent events through August 23, 2011, which is the date that the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION  
PURSUANT TO RULE 17A-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AS OF JUNE 30, 2011**

**SCHEDULE I**

**FIRST WESTERN SECURITIES, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
**JUNE 30, 2011**

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**NET CAPITAL**

Total stockholders' equity - book purposes	\$ 188,769
Deductions	<u>(13,029)</u>
Total Stockholders' Equity Qualified for Net Capital	175,740
Allowable credits or other deductions	<u>-</u>
Total Capital and Allowable Credits	175,740
Deductions and/or Charges	
Non-allowable assets:	
Property and equipment - net of accumulated depreciation	<u>3,482</u>
Total Deductions and/or Charges	<u>3,482</u>
Net Capital Before Haircuts on Securities Positions	172,258
Haircuts on Securities	<u>70</u>
Net Capital	<u><u>\$ 172,188</u></u>

**AGGREGATE INDEBTEDNESS**

Commissions and wages payable	\$ 67,646
Commissions payable to independent agents	280,449
Accrued accounts payable	43,930
Federal income tax payable	<u>11,349</u>
Total Aggregate Indebtedness	<u><u>\$ 403,374</u></u>

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS**

Minimum net capital required pursuant to Rule 15c3-1	<u><u>\$ 50,000</u></u>
Excess net capital at 1000% (or \$50,000, whichever is greater)	<u><u>\$ 122,188</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>2.34 to 1</u></u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

(included in Part II of FORM X-17A-5 as of June 30, 2011)

Net Capital, as reported in Company's Part II (Unaudited) FOCUS report	\$ 173,846
Audit adjustment for federal income tax related items	<u>(1,658)</u>
Net Capital per Above	<u><u>\$ 172,188</u></u>

## **SCHEDULE II**

### **FIRSTWESTERN SECURITIES, INC. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION JUNE 30, 2011**

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First Western Securities, Inc. is exempted from Rule 15c3-3 of the Securities and Exchange Commission by subparagraph (k)(2)(ii) of that rule, and as a result, the Computation for Determination of the Reserve Requirement under Exhibit A of Rule 15c3-3 is not required. No facts came to our attention to indicate that this exemption had not been complied with during the year ended June 30, 2011.



August 23, 2011

Board of Director and Shareholders  
First Western Securities, Inc.  
Fort Worth, Texas

**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL STRUCTURE REQUIRED BY SEC RULE 17a-5(g)(1)**

In planning and performing our audit of the financial statements of First Western Securities, Inc. (the Company) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Board of Director and Shareholders  
First Western Securities, Inc.  
Page 2  
August 23, 2011

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at June 30, 2011, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Sanford, Baumeister & Frazier, PLLC*

**SANFORD, BAUMEISTER & FRAZIER, PLLC**

August 23, 2011  
Board of Director and Shareholders  
First Western Securities, Inc.  
Fort Worth, Texas

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON THE SIPC ANNUALASSESSMENT**  
**REQUIRED BY SEC RULE 17a-5**

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the Year Ended June 30, 2011, which were agreed to by First Western Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc. and SIPC, solely to assist you and the other specified parties in evaluating First Western Securities, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). First Western Securities, Inc.'s management is responsible for First Western Securities, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries in the general ledger noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended June 30, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended June 30, 2011, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers and in related Form X-17A-5 noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting that this step was not applicable since there was not an overpayment.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Sanford, Baumeister & Frazier, PLLC*

**SANFORD, BAUMEISTER & FRAZIER, PLLC**

Keeping you in the black, not in the dark

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**SIPC-7**

(33-REV 7/10)

**SECURITIES INVESTOR PROTECTION CORPORATION**

P.O. Box 92185 Washington, D.C. 20090-2185

202-371-8300

**General Assessment Reconciliation****SIPC-7**

(33-REV 7/10)

For the fiscal year ended 06/30, 2011

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

037613 FINRA JUN  
 FIRST WESTERN SECURITIES, INC.  
 669 AIRPORT FRWY, STE 409  
 HURST, TX. 76053-3964

Note: If any of the information shown on the mailing label  
 requires correction, please e-mail any corrections to  
 form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact  
 respecting this form.

2. A. General Assessment (item 2e from page 2) \$ 3,427.58
- B. Less payment made with SIPC-6 filed (exclude interest) ( 1,382.11 )  
 02/10/2011  
 Date Paid
- C. Less prior overpayment applied ( )
- D. Assessment balance due or (overpayment) 2,045.47
- E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum \_\_\_\_\_
- F. Total assessment balance and interest due (or overpayment carried forward) \$ \_\_\_\_\_
- G. PAID WITH THIS FORM:  
 Check enclosed, payable to SIPC  
 Total (must be same as F above) \$ 2,045.47
- H. Overpayment carried forward \$( )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the  
 person by whom it is executed represent thereby  
 that all information contained herein is true, correct  
 and complete.

FIRST WESTERN SECURITIES, INC.

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

Dated the 16 day of AUGUST, 2011

PRESIDENT

(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form  
 for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER** Dates: \_\_\_\_\_  
 Postmarked \_\_\_\_\_ Received \_\_\_\_\_ Reviewed \_\_\_\_\_  
 Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_  
 Exceptions: \_\_\_\_\_  
 Disposition of exceptions: \_\_\_\_\_

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 07/01, 20 10  
and ending 06/30, 20 11  
Eliminate cents

**Item No.**

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$4,288,777

**2b. Additions:**

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

4,288,777

**2c. Deductions:**

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

2,785,453

90,411

- (9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ \_\_\_\_\_

- (ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 41,880

Enter the greater of line (i) or (ii)

41,880

Total deductions

2,917,744

2d. SIPC Net Operating Revenues

\$ 1,371,033

2e. General Assessment @ .0025

\$ 3,427.58

(to page 1, line 2.A.)